

# Verification

U.S. Department of Education  
Federal Student Aid



## *Verification: A School Responsibility*

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## Session Objectives

- **To ensure participants understand:**
  - Why we verify student data;
  - Verification policies and procedures
  - When verification is required and for which programs;
  - What application data elements must be verified;
  - Options for verifying applications
  - Acceptable verification documentation
  - Processing corrections through the Central Processing System (CPS)
  - FSA resources



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## *WHY VERIFY?*



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## What is Verification?

- Process by which certain required data reported on the FAFSA is reviewed for accuracy and completeness

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## School Verification Policies



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## Verification Policies

- MUST have a written policy stating:
  - How applications are selected for verification
  - Documentation Deadlines for students and consequences for missed deadlines
  - Method of notifying students of award changes resulting from verification
  - Required correction procedures for students
  - Standard procedures for referring overpayments to ED

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## Notice to Student

School must provide a written statement to students selected for verification that includes:

- a clear explanation of the documentation requirements
- Student's responsibilities with regard to the verification process
- School notification requirements

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## Policies and Selected Students

- No matter how the student was selected for verification --  
*ALL verification requirements (deadlines, tolerances, etc.) apply equally to all students being verified*

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## Selection Process



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## How Are Students Selected? ➤

- CPS selection
  - Edit checks which identify inconsistencies and potential errors
  - Random selection
- School selection
  - School criteria



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## CPS Identification ➤

- Students selected by the CPS
  - Verification codes on ISIR section
    - Y = Student is selected
    - N = Student is not selected
    - \* = Student is selected on a subsequent transaction
      - » Student has not been selected on any previous transaction
  - Asterisk (\*) will appear next to the EFC

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## School Selections ➤

- May select additional applications beyond those required
- School decides items to verify
  - Same items as CPS selected forms, or
  - Different items not required to be verified
    - Other untaxed income (cash support, etc.)
    - Additional assets or components of income
    - Debts

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## School Selections

**Best Practice:** Choose applicants with the highest number in the verification tracking flag field on the ISIR

– 4 digit number up to 9999

CPS Pushed ISIR Flag	
Rejects Met:	
Verification Tracking Flag	1730
Dependency Override	
ETI	0
Correction # Applied To	
Application Receipt Date	03/29/2005

– The higher the number the greater the potential risk

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## Conflicting Information

- A school **MUST** verify ANY application information it believes is incorrect
  - Data may be different from ED required data verification elements
- Considered to be selected by the school for verification

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## 30% Verification Option

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## Selected Applications

- ED encourages schools to **verify all applicants selected by CPS**



Because...verification  
selection factors target  
areas with most errors

**HOWEVER...**

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## CPS Selected Applications

- Schools must verify all applications the CPS selects *up to 30 %* of the school's **total federal aid applicants** in an award year
  - School may choose to verify more than 30%
  - If CPS selects less than 30% of total applicants, NOT required to verify more to reach 30%
    - Not a quota

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## 30% Option Policy Requirements

- Policy must be written
- Policy must define “applicant”
- Must effectively identify those “applicants” and therefore, be able to determine 30% of total “applicants” *throughout the year*
  - ❖ Includes all payment periods

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## Defining “Applicant”

- “Applicant” may be:
  - Anyone who applies to the school
  - Anyone who enrolls
  - Anyone enrolled and eligible to receive aid
- Students that count toward the 30% limit must meet your definition

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## Applicants counted in the 30% total

Applicants selected by CPS *and* meeting the definition of “applicant” in your policy

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## 30% Verification Examples

School policy is to verify ALL applications selected by CPS

- |                       |                       |
|-----------------------|-----------------------|
| • 100 applicants      | • 100 applicants      |
| • CPS selects 45      | • CPS selects 20      |
| • School verifies 45* | • School verifies 20* |
| % verified = 45%      | % verified = 20%      |

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## 30% Verification Examples

School Policy is to Exercise 30% Option

- 100 applicants
- CPS selects 45
- School verifies only 30% of total applicants
  - $(100 \times 30\% = 30)$
  - School only verified 30 of the 45 selected by CPS

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## Hitting 30% Target

**School Defined applicant as one who enrolled**



PLUS

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• 100 applied <i>first semester</i></li> <li>• 90 <b>enrolled</b></li> <li>• Verify 30% of 90 = 27</li> </ul> | <ul style="list-style-type: none"> <li>• 50 applied <i>second semester</i></li> <li>• 40 <b>enrolled</b></li> <li>• Verify 30% of 40 = 12</li> </ul> |
|--|--|

Total to verify for year = 39  
 $90 + 40 = 130 \times 30\% = 39$

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## Verification Exclusions



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## Verification Exclusions

Selected applications may be exempt from some or all of the verification requirements due to the following:

- Incarceration
- Recent immigration
- Spouse or parent unavailable
  - Only applies to spouse or parent data



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## Verification Exclusions Cont.

- Death of student
  - Only exemption that excuses school from resolving conflicting information
- Applicant verified by another school
- Certain Pacific Island residents
  - Dependent's parents must also meet criteria to qualify for exclusion
- Not a Title IV recipient
  - For reasons other than not completing verification

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## Verification Exclusions Cont.

- If the student will **ONLY** receive any of the following TIV aid, verification is not required:
  - Unsubsidized Federal Stafford loans
  - PLUS loans (parent or graduate)
  - TEACH Grant
  - Stafford Loans (sub and unsub) received for study at an eligible foreign school

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## Verification Items

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### What Do I Verify?

- Required to Verify 5 Major Data Elements
  - Adjusted Gross Income
  - U.S. income tax paid
  - Certain untaxed income and benefits
  - Number in household
  - Number enrolled in college

“Confirming that specific  
FAFSA answers are correct”

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### Additional Verification Items

- Schools may always choose to verify any other application items in addition to the required items
  - Those selected by CPS or the school
- Determine reasonable documentation requirements for additional items
- Ensure consistent Institutional policy applied

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## Verification Documentation



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## What Documents Do I Need?

- Most common documents include:

- For taxable income (and some untaxed income)
  - Base year tax return
- For Untaxed Income, Household size and Number in College
  - ED Verification worksheet

Alternative documents may include:

- Official agency documentation
- Institutional certification
- Signed statement

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## Verification Worksheets

- Department developed
- Not required – may develop own
- Independent and Dependent forms
- Submitted to the school, not ED
- Master copies on IFAP

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## General Document Requirements

- Documents can be originals
- Documents can be copies
  - Photocopies, fax, digital printouts
- Signatures on a copy are as valid as original signatures



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## AGI and U.S Income Tax Paid

- *Usually* verified through U.S. Income tax returns
- Must have at least one filer signature or Preparer name and SSN, EIN or PTIN
  - Exception – form mailed directly to the school from IRS
- Check for anyone with financial data on FAFSA
- Type of return listed on FAFSA should match
- AGI should always match FAFSA data
  - Unless adjusted for joint return

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## Special Situations & alternatives

- Electronic Filing
- Non-Filers
- Filing Extensions



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## Special situations & alternatives

- Fiscal Year Tax Returns
- Nonresident Filers
- Foreign Income
- Tax Return not available



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## Tax Return Basic Knowledge

- Information required to know:
  - Minimum income requirements for filing a tax return
  - Correct tax filing status for an individual
  - A person cannot be claimed as an exemption on more than one tax return

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## Tax Return Data Conflict

- Some examples that must be resolved:
  - Married filing separately; but both claimed "Head of Household"
  - Student claimed self as exemption, but so did parent
  - A student claims not required to file but earned \$30,000 from work

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## Issues NOT Conflicts

- Tax payer claimed multiple/conflicting credits
- Information included in Box 14 of W-2
- Household size differs from exemptions on tax return
- Dependent under IRS rules vs. ED definition of dependent
- Assumptions made by the CPS
- FAFSA filed using estimated income



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## Untaxed Income and Benefits

- Three specific types to verify:
  - Child Support
  - IRA/Keogh deductions
  - Interest on Tax-free bonds
- Child Support
  - Amount Received
  - Verification worksheet, signed statement, government agency
  - Does not have to be verified if same amount verified in previous year

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## Untaxed Income and Benefits

- Deductions for IRA/Keogh Plans
  - Can be verified using tax returns
- Interest on tax free bonds
  - Can be verified using the tax return
- Additional untaxed income to verify
  - All other untaxed income on tax return
    - Excluding schedules
  - Other Items not reported on the tax return
    - Examples – living allowance, money received, Veteran non-educational benefits, etc.

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## Household Size

- Information obtained:
  - Names of household members
  - Ages
  - Relationship to student



- Must be updated at time of Verification

- Documents
  - ED worksheet
  - Signed statement

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- Don't have to verify household size if:
  - Same as reported and verified last award year
  - Receive ISIR/SAR within 90 days of application signature
  - Dependent student—number is 3 if parents are married or 2 if one parent
  - Independent student—number is 2 if married or 1

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## Number enrolled in College

- Information obtained:
  - Names of household members enrolled
  - Ages
  - Relationship to student
  - Names of schools attending

- Must be updated at time of Verification

- Documents
  - ED worksheet
  - Signed statement

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## College Enrollment - Exceptions

- Don't have to verify enrollment if:
  - Enrolled is one (student)
  - Receive ISIR/SAR within 90 days of application signature
  - Members are enrolled at least half-time at your school
    - Confirmed through your school records

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## Acceptable Documentation

Data Element	Verification Worksheet & tax return(s)	Other Documentation (in lieu of worksheet or tax return)
Household Size	Yes	Signed Statement
Number Enrolled	Yes	Signed Statement or School's certification
AGI & Taxes Paid	Yes	IRS Tax transcript, other signed IRS forms with tax data, Form 4868, W2, or Signed Statement
Untaxed Income & Benefits	Yes	Signed statement or official agency document

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## Remember

- Regardless of verification status
  - Must resolve all "C codes"
  - Must resolve all conflicting information
    - Separate process from verification
    - Involves any information of which the school has knowledge
    - Must resolve before disbursing any aid



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## Completing Verification



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## How to Complete the Process

- Compare documents with original FAFSA
  - Use of checklist in the file
  - FAA access to CPS – verification tool
- Determine if:
  - Information is correct
    - May award and disburse aid (34 CFR 668.58)
  - Errors/inconsistencies
    - Necessary corrections made prior to disbursing

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## Interim Disbursements

- Must be no reason to suspect that FAFSA information is incorrect
  - For Pell, ACG, SMART, FSEOG and Perkins: May only disburse for first payment period
  - For FWS, student may work for a maximum of 60 consecutive days from start of enrollment
  - For Direct Loan and FFEL: May only certify/originate subsidized loans (but not disburse)
- School is liable for the interim funds if ineligible due to incomplete or incorrect data

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## Verification Deadline Dates

- Verification must be completed by the earlier of:
  - 120 days after last day of student enrollment
  - Secretary's deadline (Federal Register)
    - 2008/09 academic year – September 28, 2009
- School may set an earlier deadline for Stafford and campus-based applicants
- Verification is complete when your school has ALL requested documentation

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## Deadline Dates & Consequences

- If the applicant fails to provide the requested verification documentation by the school or ED deadline:
  - Do not disburse any grants or Perkins funds
    - Return any grants or Perkins received for academic year
  - Do not continue FWS employment
  - Do not disburse FFEL/DL funds
    - Return undisbursed funds to lender/ED
  - Do not certify/originate FFEL/DL subsidized proceeds

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## Deadline Dates & Consequences

- However—if the verified SAR/ISIR is submitted/received after the institutional deadline, but within the additional time established by the Secretary, Pell **must** be paid on the **HIGHER of the two EFCs**

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## Selection After Disbursement

- Application might be selected on a subsequent ISIR after already paid
- Must verify application before making further disbursements
- If aid incorrectly disbursed after elements verified, student responsible for paying back ineligible aid
  - Not required to return Stafford funds or FWS wages earned

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## Verification Status Codes

- Used when reporting Pell, ACG, National SMART, TEACH and Direct Loan payments to COD
- V – Verified
- S – Selected, but not verified
- W – Paid without Documentation
- Blank — ISIR not selected by CPS or school

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## Verification Tolerance - Optional

- No recalculation or reprocessing necessary if:
  - There is no change in non-dollar items used to calculate EFC
- AND
- Total difference between incorrect and correct dollar values verified is \$400 or less
- Optional – may always submit corrections

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## \$400 Net Tolerance Example

### Original Data

$$\begin{aligned} & \$2500 + \$500 \\ & \text{minus } \$250 \\ & = \$2750 \end{aligned}$$

### Corrected Data

$$\begin{aligned} & \$2800 + \$500 \\ & \text{minus } \$281 \\ & = \$3019 \end{aligned}$$

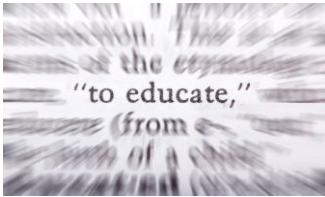
Net Difference = \$269 (\$3019-\$2750)

**Since within \$400 tolerance, school MAY award student based on original data**

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## Verification Resources



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## Resources for Verification

- Regulations
  - 34 CFR 668 Subpart E (668.51 to 668.61) and 668.16(f)
- FSA HANDBOOK
  - 2009/10 FSAHB AVG Chapter 4
- FSA COACH
- FSA Assessments
- Verification Tool
- ISIR Analysis Tool
- Common Compliance Issues



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## U.S. Department of Education Federal Student Aid

### FSA COACH

- FSA COACH is an on-line FREE training program from the U.S. Department of Education (ED).
  - Comprehensive introductory course for administering postsecondary federal student aid (FSA) programs
- Located on IFAP ([www.ifap.ed.gov](http://www.ifap.ed.gov))
  - Under "Tools For Schools"
  - Verification section:
    - Under "Determining Student Eligibility" and
    - "How to Verify Student Data"

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### FSA Assessments – Four Categories

Students	Schools	Managing Funds	Innovation
Student Eligibility	Institutional Eligibility	School Management	Effective Practices
Scholarship Analysis	School Enrollment & Management	Return of Title IV Funds	
Process	FSA Verification	FISIS	
	Consumer Information	FSEDO	
	Automation	Postsecondary & Unemployment	
		Postsecondary & Unemployment	
		Postsecondary & Unemployment	

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### FSA Assessments – Verification

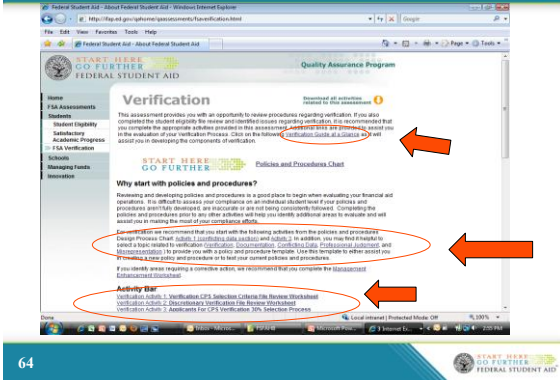
Students	Schools	Managing Funds	Innovation
Student Eligibility	Institutional Eligibility	School Management	Effective Practices
Scholarship Analysis	School Enrollment & Management	Return of Title IV Funds	
Process	FSA Verification	FISIS	
	Consumer Information	FSEDO	
	Automation	Postsecondary & Unemployment	
		Postsecondary & Unemployment	
		Postsecondary & Unemployment	

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## FSA Assessments – Verification

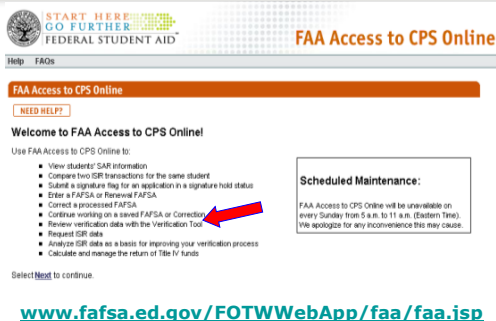


## Verification Tool

- The Verification Tool is an electronic worksheet process that assists schools with comparing verified data with original data on the FAFSA
  - Import original FAFSA data elements
  - School inputs verified information
  - Computes and totals differences and tolerance levels
- FAA Access to CPS Online Web Site  
[www.fafsa.ed.gov/FOTWebApp/faa/faa.jsp](http://www.fafsa.ed.gov/FOTWebApp/faa/faa.jsp)

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## Verification Tool



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## ISIR Analysis Tool

- The ISIR Analysis Tool can help a school improve verification procedures and consumer information by:
  - Focusing Federal verification efforts
  - If using 30% option, targeting the right 30%
  - Help schools select own applicants for verification
  - Improving consumer information
    - May reduce common errors

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## Accessing ISIR Analysis Tool

[www.fafsa.ed.gov/FOTWebApp/faa/faa.jsp](http://www.fafsa.ed.gov/FOTWebApp/faa/faa.jsp)

- Access is granted to the user by the SAIG Destination Point Administrator (DPA) as part of FAA Access to CPS online.
- You will need your own ED PIN, your Destination Code, and your six-digit Federal School Code to access the ISIR Analysis Tool.
- FAA Access to CPS Online Web Site
  - Demo Site

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## ISIR Analysis Tool

[www.fafsa.ed.gov/FOTWebApp/faa/faa.jsp](http://www.fafsa.ed.gov/FOTWebApp/faa/faa.jsp)

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## Accessing the Demo Site

- Open Internet Explorer – select “FAFSA Demo Site” from the favorites menu, or
- Type <http://fafsademotest.ed.gov> in the address bar
- Enter the user name (**eddemo**) and password (**fafsatest**) found in your booklet
- **Follow the instructions found at the bottom of the page for accessing the ISIR Analysis Tool**

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## Common Compliance Issues

- Missing documentation (tax return, verification worksheets, etc.)
- Missing signatures (student, parent, preparer)
- ISIR not reprocessed
- Conflicting documentation not resolved
  - Consequences
    - Ineligible disbursements
    - Over/underawards
    - Reconstruction of records

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## Thank You!

For Specific Verification Questions please  
contact:

- Your regional Training Officer, or
- School Participation Team

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